

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 879 - HB 947

March 17, 2015

SUMMARY OF BILL: Changes, from \$500 to \$5,000, the initial application fee that a public charter school must pay to the chartering authority. Requires a public charter school to pay \$1,000 to the chartering authority for each subsequent renewal of its charter. Authorizes a chartering authority to collect a charter authorizer fee. Sets forth the charter authorizer fee that each eligible chartering authority may collect in FY15-16 and in FY16-17 and subsequent fiscal years. Requires each chartering authority to annually provide each public school under its authority, an itemized list of expenditures that the charter authorizer fee will fund, prior to December 1. Requires the Comptroller of the Treasury to review the effectiveness of charter authorizer fees, biennially, and to provide information to the Senate Education Committee and the House Administration and Planning Committee by December 31, 2017 and by December 31 biennially thereafter. Requires the Department of Education to verify the level of funding provided to a public charter school each year.

An LEA is not required to include on its list of vacant or underutilized property, property that the LEA intends to sell or otherwise dispose of, within 12 months of the year in which the list is submitted to the Department of Education. Prohibits an LEA or other local government entity from charging rent to a public charter school, if such entities do not transfer the title of a property to the public charter school. The LEA or local government entity shall be responsible for insurance and capital maintenance of the property. The public charter school shall be responsible for utilities and day-to-day property maintenance.

Section 2, subsections (a), (b), and (e), relative to LEAs collecting charter authorizer fees and providing an itemized of costs fulfilling authorizing obligations shall be repealed on July 1, 2019.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase State Revenue –

Exceeds \$1,636,400/FY15-16 and Subsequent Years/ASD

Increase Local Revenue -

Exceeds \$135,000/FY15-16 and Subsequent Years/

Charter Application Fees

Up to \$37,500 Per Charter School/Each Year FY15-16 through FY18-

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19/Charter Authorizer Fee Collections

Other Fiscal Impact – Rent paid by public charter schools and received by local authorizing entities will decrease for public charter schools currently renting buildings owned by LEAs.

LEAs will experience a mandatory increase in expenditures for capital building maintenance if an LEA has not transferred the title of a building to a public charter school and the LEA is not currently incurring such costs per the charter agreement.* However, due to multiple unknown factors, the extent of any such mandatory increase in local expenditures cannot be reasonably quantified.

Assumptions:

- Currently, 23 public charter schools have been authorized by the state's Achievement School District; 20 have been authorized by Metro-Nashville Public Schools; 39 have been authorized by Shelby County Public Schools; and three have been authorized by Hamilton County Public Schools.
- The number of public charter schools that are authorized by each of the current authorizing entities will increase in FY15-16 and subsequent years.
- It is unknown if public charter schools will be authorized by the State Board of Education or by additional local education agencies that are not current public charter school authorizers. It is possible that additional revenue from charter applications and charter authorizer fees will be collected by state and local entities that are not a part of the calculations for this fiscal estimate.
- The current application fee for initial and renewals of charter school applications is \$500.
- The proposed initial application fee is \$5,000; a difference of \$4,500 (\$5,000 - \$500).
- The proposed application renewal fee is \$1,000. Based on information from the Department of Education, approximately 30 new public charter school applications are received statewide by local authorizing entities.
- The number of initial charter applications that will be received by the ASD in FY15-16 and subsequent years is unknown.
- The number of renewals that will be applied for annually from state and local authorizing entities in FY15-16 and subsequent years is unknown.
- In FY15-16 and subsequent years, the increase in local revenue is estimated to exceed \$135,000 (30 x \$4,500).
- Each local education agency is authorized to collect a maximum of \$37,500 in charter authorizer fees per school each year beginning in FY15-16 through the end of FY18-19.
- Estimated fee collections for the ASD are based on public charter school enrollment within ASD charter schools in FY14-15.
- Public charter school enrollment and BEP per pupil expenditures (PPE) will increase in FY15-16 and subsequent years.

- The ASD will be eligible to collect charter authorizer fees equal to three percent of the PPE in each LEA from ASD-authorized public charter schools.
- The ASD currently has 6,422 students in ASD-authorized public charter schools in Shelby County (SCS) and 277 students in ASD-authorized public charter schools in Metro-Nashville Public Schools (MNPS).
- The ASD PPE for charter schools in Shelby County is \$8,091. Three percent of this total is \$243 per student.
- The ASD PPE for charter schools in Metro-Nashville is \$9,143. Three percent of this total is \$274 per student.
- In FY15-16 and subsequent years, the increase in state revenue that will be collected by the ASD is estimated to exceed \$1,636,444 [$\$243 \times 6,422$] + [$\$274 \times 277$]. The increase in state revenue amount does not include revenue from charter school applications received by state entities which will be applied to this total in FY15-16 and subsequent years.
- Rent is collected from public charter schools on a school-by-school basis per the charter agreement between the public charter school and the authorizing entity.
- Requiring free rent under certain scenarios will result in a decrease in local revenue collected from that rent. These scenarios may also result in a mandatory increase in local government expenditures for capital maintenance for buildings being used by public charter schools. Any such changes cannot be reasonably quantified due to multiple unknown factors, including but not limited to, the rent paid by public charter schools that occupy buildings that will qualify for free rent and the current maintenance agreement for qualifying public charter schools.
- The Comptroller of the Treasury and the Department of Education will carry out their required tasks without an increase in personnel or a reduction on their reversion to the General Fund.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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